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ABSTRACT

In the 1983-1984 school year, postsecondary-level proprietary vocational schools served 160,000 students in the State of New York. About 30 percent of the students received public assistance before enrolling and 68,000 students completed a wide array of programs; according to state data, most found employment related to their training. As private for-profit businesses, New York proprietary schools contributed to the state's economy by employing 7,700 people and creating more than 15,000 private sector jobs (through a multilayer effect). School expenditures generated almost $1 billion of private sector sales in the state and $341 million in personal income. Proprietary schools were found to respond quickly to shifts in employer and student demand. However, proprietary school students lack equal access to important sources of both federal and state financial assistance. Despite the proven effectiveness of New York's proprietary schools and benefits to the state's economy, state and federal regulations were found to impose significant costs on them. It was therefore recommended that New York (1) integrate its proprietary schools more completely into its postsecondary education system, (2) streamline regulations governing proprietary schools and make them equally applicable to public and private schools, and (3) educate policymakers as to the economic impact of proprietary schools. (MN)

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PRIVATE TRAINING AND PUBLIC GOALS:

A STUDY OF NEW YORK PROPRIETARY SCHOOLS

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By:

Richard W. Moore, Ph.D.

September 27, 1986

Prepared for:

New York State Association of Career Schools
New York State Beauty School Association
Registered Business Schools Association of New York

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Wellford Wilms and Roger Bolus of TRC assisted in the analysis of the study's data. David Baker, Alan Kilpatrick, Peter Kuchinke, and Laura Powers of TRC performed the field work for the survey and produced the final report.

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EXECUTIVE SUMMARY

Nationally, proprietary (profit-making) vocational schools account for almost two-thirds of the postsecondary institutions offering vocational training and for nearly three-fourths of all postsecondary vocational enrollments. But, despite their size, proprietaries are often overlooked in the development of public job training policy.

New York state has a large dynamic proprietary sector. In 1983-84, proprietary schools served 160,000 students. Many of these students came from disadvantaged backgrounds, over 30% had received public assistance before enrolling. Yet, sixty-eight thousand students completed a wide array of programs and according to state data, most found employment related to their training.

As private for-profit businesses, New York proprietary schools contributed to the state's economy. In 1983-84, the schools employed 7,700 people and because of the multiplier effect, they created a total of over 15,000 private sector jobs. School expenditures generated almost a billion dollars of private sector sales in New York state, as well as 341 million dollars of personal income.

In an era of declining state and federal resources for higher education and for job training, it is surprising that policymakers continue to overlook this sector, which can do much to complement public-sponsored training. One reason for this exclusion is a lack of information about proprietary schools that

will allow policymakers to include proprietaries with public programs in state planning.

Purpose of the Study

In 1985 three New York state proprietary school associations--New York State Association of Career Schools, New York State Beauty School Association and the Registered Business School Association--contracted with Training Research Corporation to conduct a study of proprietary school in New York State. The purpose of the study was to gather objective data needed to inform policymakers and the public about the role of proprietary schools in providing postsecondary vocational training in New York state.

The universe of the study was made up of 325 schools which were state approved for-profit business, trade, cosmetology and combined business and trade schools, operating during the 1983-84 school year. These schools were sent a questionnaire developed to gather data on school practices, students, and the economic impact on the state's economy.

Forty-nine percent of the schools surveyed completed a study questionnaire. Data from these questionnaires were combined with data from a survey of graduates from six proprietary schools and data from the New York State Occupational Education Data System (OEDS) to analyze completions, placements and postgraduate earnings.

Results

1. New York's proprietary schools constitute a large and diverse sector of postsecondary education. In the 1983-84 school year, New York's proprietary schools served over 160,000 students. Sixty-eight thousand students completed a rich variety of programs.

Schools ranged from single-program operations enrolling fewer than 100 students each year to large technical institutes with a variety of programs.

Since the majority of the schools in the study were accredited, their students participated in a variety of financial aid programs.

2. New York's proprietary vocational schools serve a large population of the least advantaged students in postsecondary education.

While proprietary schools enroll a heterogeneous student body, a large proportion comes from low-income minority families. For example, 41% of the independent students had annual incomes of less than $5,000, while more than half (55%) of the dependent students reported annual family incomes of less than $12,000. Moreover, nearly a third (32%) of New York's proprietary school students reported receiving public assistance before enrolling; this ranged from a low of 2% at some schools to a high of 75% at others. More than four in ten students who enroll in proprietary schools come from minority background: 22% are Black, 17% Hispanic, and 2% Asians or Pacific Islanders. Finally,

a quarter of the proprietary school students were high school dropouts.

3. Proprietary schools in New York exist in a highly competitive environment.

While proprietary schools compete directly with each other for students, publicly subsidized institutions appear to represent the largest source of competition.

4. Proprietary schools respond quickly to shifts in employer and student demand. Proprietary schools indicated they were quick to add or drop programs because of changes in local labor markets. Decisions to add programs were based primarily on student requests and employer requests. A quarter of the proprietary schools contracted directly with private employers to develop training programs for new or veteran employees. Finally, schools responded to public demand by participating in federal training programs. One out of five proprietary schools surveyed operated a JTPA program in 1983-84.

5. Proprietary school students lack equal access to important sources of both federal and state financial assistance. A high proportion of proprietary students participate in the federal Pell Grant and Guaranteed Student Loan Programs (73% overall), but far fewer have access to other important sources of student aid which help to close the price gap between proprietary schools and publicly funded institutions. While nearly half of

the schools participate in the SEOG program, a closer look reveals that only a tiny proportion of their students are aided by it. Similarly, fewer than a third of New York's proprietary schools participate in the NDSL program, and only 13% participate in the College Work-Study Program. A very small number of students receive these types of aid. Twenty-one percent of the state's proprietary schools report participating in New York's Tuition Assistance Program, which provides substantial aid to students in two-year programs of at least 1,440 hours at registered business schools but not to those in trade or cosmetology schools.

6. New York's proprietary schools have a major impact on the state's economy. The results from this study reveal that proprietary schools make a substantial impact on the state's economy by creating new jobs, and by increasing private-sector sales and personal income. In 1984-1985, the schools employed more than 7,700 men and women, with payrolls exceeding $137 million. Given the multiplier effect, they created more than 15,000 private-sector jobs. By consuming goods and services of other firms, New York's proprietary schools have generated an estimated $951.6 million in private-sector sales in 1983-84. Finally, given the multiplier effect of the schools' expenditures for salaries, rent, instructional equipment, taxes, and so forth, in 1983-84 New York's proprietary schools generated more than a third of a billion dollars ($341.2 million) in personal income.

7. Students who complete proprietary school programs experience substantial increases in earnings. Another dimension of economic impact is the increase in student earnings. The findings from this study indicate that students who complete their programs and who are placed in jobs can expect their earnings to be substantially higher after training than before.

Overall, completers as a group were estimated to have increased their earnings by more than $317.5 million in the year after graduation.

8. State and federal regulations impose significant costs on proprietary schools. Overall, respondents spent an estimated $27.5 million and 3.4 million person-hours in complying with regulations during the 1983-84 school year. The costs to the average proprietary school were $84,741 and 10,475 person-hours.

Recommendations

1. New York's proprietary schools should be more completely integrated into the state's postsecondary education system.

New York's proprietary vocational schools enroll a substantial number of students seeking postsecondary education. According to state-generated figures, 167,922 students enrolled in the 361 licensed schools during the 1983-84 school year. Not only do these schools enroll large numbers of students, but a large proportion of these students come from the lowest rungs of the socioeconomic ladder, a third of all proprietary school

students report receiving public assistance before enrolling. However, despite their backgrounds, most graduates of proprietary schools find employment and experience substantial increases in their earnings--a benefit which accrues to both the individual and society as a whole.

There is little doubt that shifts in national and state economies will continue, demanding higher levels of economic productivity. Thus, as resources for training and education continue to shrink and student demand escalates, policymakers must find ways to integrate the proprietary school sector--which is highly sensitive to changing employer and student demands--into the state's overall plans for vocational education, job training, and economic development.

2. The state should make information more available to consumers so that they can choose wisely among competing training and educational institutions.

At present, students cannot make reasoned choices among alternative training providers because of the lack of standardized information on which to base such decisions.

Steps should be taken to integrate state OEDS and IPEDS systems and to make information available to consumers. Not only would such a move enable prospective students to make wiser choices, but also the existence of comparative information would give public and private institutions an incentive to improve their productivity in training and placement.

3. State regulations should be streamlined and applied equally to public and private institutions.

As this study shows, the private costs of state regulation are substantial.

The state should take steps to streamline the regulatory process and to focus resources on those areas where problems truly exist. In addition, the state should make the products of such regulation--information on both public and private schools' outcomes--available to the public in ways that account for differences in students' backgrounds.

4. State policymakers should be educated as to the economic impact of the proprietary school sector and should be encouraged to use it as a tool for promoting economic development.

This study makes clear that, as private businesses, proprietary schools contribute substantially to the state's economy by creating jobs, generating private sector sales and personal income, and contributing to the state's tax base. Further, the value of the training offered by these schools can be seen in graduates' increased earnings, which also benefit the state in the form of reduced public assistance payments, greater personal income taxes, and higher workforce productivity.

It is important that key state policymakers recognize the contributions made by this heretofore-overlooked sector of postsecondary education--a sector that could help to solve some of the state's pressing social problems while at the same time improving the state's economy and expanding its tax base.

The proprietary school sector can play an increasingly important role in helping to ease New York's transition from an industry-based economy to a service- and information-based economy.

The human and physical capital invested in proprietary schools should be an attractive inducement for companies to stay in New York or to consider locating in New York. By making these resources available to prospective employers, the state can offer a more comprehensive and attractive package to such firms.

Introduction

Private for-profit vocational schools have been in existence since the seventeenth century (Clark & Sloan, 1960). Today they constitute the largest provider of postsecondary vocational training in the United States. The National Center for Education Statistics (NCES, 1982) estimates that there are 6,013 private postsecondary vocational schools in the country, accounting for two-thirds of all schools that offer postsecondary vocational training and enrolling an estimated 1.2 million students, 72% of all postsecondary vocational students.

When the Higher Education Amendments of 1972 expanded the definition of "higher education" to include accredited private vocational schools, students at these school were for the first time given access to the financial aid available under Title IV of the Higher Education Act of 1965. The 1972 Amendments also provided for the inclusion of private vocational schools in policymaking by mandating their membership on "1202 Commissions," state-level coordinating bodies made up of representatives of all sectors of postsecondary education and charged with planning for the education needs of the individual states.

In New York, proprietaries are not officially represented on the State Board of Regents, which oversees higher education, but they are represented on the state's Private Industry Council, which oversees the expenditure of federal Job Training Partnership Act (JTPA) funds. However, the degree to which they actually participate in policymaking or are considered in state

planning is open to question. Even though federal law requires that each state develop a five-year plan for spending the funds allocated to it under the Vocational Education Act, New York's five-year plan (New York State Plan for the Administration of Occupational Education Under the Carl D. Perkins Vocational Education Act of 1984, 1986-88) focuses exclusively on public programs. The official master plan for higher education in New York State, Statewide Plan for the Development of Postsecondary Education, contains only one paragraph about proprietary schools. Moreover, New York's registered business schools participate in the state's Tuition Assistance Program (TAP), if they offer a two-year program, but its private trade and cosmetology schools are excluded from participation. Thus, in many practical ways, proprietary schools remain outside the mainstream of postsecondary education in New York.

As federal and state aid for postsecondary education and job training decreases, competition for limited funds becomes more fierce. At the same time all of postsecondary education is being subjected to greater public scrutiny. (See, for example, Hentoff's critique of the dropout problem at CUNY in the February 1986 issue of the Village Voice.)

Legislators and other policymakers will increasingly be called upon to adjudicate disputes and to allocate scarce resources among the competing sectors. But they often lack the data needed for an objective comparison of public and private providers. While the state's Occupational Education

Data System (OEDS) covers both proprietary schools and public BOCES programs, it is limited to data on enrollments, completions, and placements. Thus, all too often policymakers either ignore private vocational schools in state planning or act on the basis of inadequate information.

The study reported here was designed to provide policymakers with reliable information that will allow them to include private vocational schools on an equal footing with public programs in state planning.

Purpose of the Study

In the summer of 1985, the New York State Association of Career Schools, the New York State Beauty School Association, and the Registered Business Schools Association of New York contracted with Training Research Corporation (TRC) to conduct a study of proprietary schools in New York State. The purpose of the study was to gather the data needed to inform policymakers and the public about the role of proprietary schools in providing postsecondary vocational training.

The study was designed to answer eight questions:

1. How can New York's proprietary schools be described in terms of enrollments, completions, placements, accreditation status, ownership, financial aid, and program offerings?
2. What student populations are served by proprietary schools?
3. What are the schools' admissions practices?

4. With what other types of institutions do proprietary schools compete?
5. How responsive are proprietary schools to shifts in the labor market?
6. What impact do New York proprietary schools have on the state economy?
7. What does regulation cost the proprietary sector?
8. To what extent does completion of a proprietary school program affect earnings?

Research Methods

To answer the questions posed above, TRC undertook a survey of New York's proprietary schools. The initial population included 361 business, trade, and technical schools approved by the New York Department of Education in 1985. Schools were dropped from the survey if they:

1. Offered only home-study programs
2. Did not offer vocational programs
3. Had gone out of business
4. Were not operating during 1983-84

The application of these criteria reduced the eligible population to 325 schools.

The survey questionnaire consisted in part of items that had previously been used in a similar study for the state of California (Wilms, 1984). After being reviewed by the three sponsoring associations, it was mailed to each of the 325 schools,

along with a cover letter explaining the purpose of the study. Two weeks later, nonrespondents received a postcard reminder. During the third week, TRC staff began to call nonresponding schools. Each nonresponding school was called a minimum of three times. Schools that did not respond to these calls were then contacted by one of the associations and were sent a duplicate questionnaire and cover letter, followed a week later by a second postcard reminder. Again, nonrespondents were called three times before the survey was closed.

Table 1 shows, as a result of this intensive follow-up, 162 schools returned the completed questionnaires, for an overall response rate of 49%. Data from these questionnaires were used to describe the schools and their practices in the Results section below. Data from the Occupational Educational Data System (OEDS) on school enrollments, completions, and placements were available for all schools. These data were used in concert with the survey data to estimate the economic impact of proprietary schools, the cost of government regulation, and postgraduate earnings.

TABLE 1
STUDY POPULATION, BY SCHOOL TYPE

	Business	Trade	Cosmo	Business & Trade	Total
Original study population	88	149	74	14	325
Respondents to study questionnaire	23 (33%)	62 (42%)	55 (74%)	14 (100%)	160 (49%)

Note. In the course of the survey, we discovered that some single schools had been approved by the state both as registered business schools and as registered trade schools. Rather than arbitrarily assigning these schools to one category or the other, we created a new category, labeled "business and trade" schools.

Results

The results of the study--based on responses to the TRC questionnaire and on data reported to the state--are presented as answers to the eight questions posed earlier.

1. How can New York's proprietary schools be described in terms of enrollments, completions, placements, accreditation status, ownership, financial aid, and program offerings?

Enrollments. Data describing enrollments, completions, placements and program offerings in this section come from the state OEDS system. Data on accreditation, ownership, and financial aid come from the survey. According to OEDS, The New York proprietary schools included in this study enrolled a total of 167,922 students (part-time and full-time combined) in the 1983-84 school year (Table 2). Trade schools accounted for the largest number of students (69,406), followed

by business schools (52,002), combined business/trade schools (27,463), and cosmetology schools (19,051). Business-trade school had the largest average enrollments (1,962 students), followed by business schools (591), trade schools (466), and cosmetology schools (257).

TABLE 2
ENROLLMENT, BY SCHOOL TYPE

	Business	Trade	Cosmo	Business & Trade	Total
Total enrollment	52,002	69,406	19,051	27,463	167,922
Average enrollment	591	466	257	1,962	517

Note. Data on enrollments come from the New York Occupational Education Data System (OEDS).

Completions and placements. Data on completions and placements come from the Occupational Education Data System (OEDS) maintained by the New York State Educational Department. OEDS covers two categories of proprietary schools: trade schools (including cosmetology schools) and registered business schools.

In 1983-84, 43,677 students completed programs in licensed trade schools (Table 3). Of those students who completed their programs, 64% were placed in jobs: 56% found jobs related to their training, 4% found slightly related jobs, and 4% found jobs unrelated to their training. Fifteen percent of the trade school completers were unemployed, and the status of the remaining 21% was unknown.

TABLE 3
COMPLETION AND PLACEMENT
BY SCHOOL TYPE

Licensed trade schools	Total Completers	Total Employed	Empl. Related	Slightly Related	Un-related	Mili-tary	Total Unempl.	Seeking Emplymt.	Add'l. Educ.	Other	Status Unknown
Agriculture/ Agribusiness	100% (210)	93% (195)	88% (185)	1% (2)	4% (8)	-- --	7% (15)	3% (6)	1% (2)	3% (7)	--
Business & Office education	100% (8922)	47% (4185)	39% (3442)	5% (428)	3% (294)	-- (21)	14% (1275)	6% (536)	2% (168)	6% (571)	39% (3462)
Marketing & Distribution	100% (4572)	58% (2657)	47% (2129)	7% (323)	4% (203)	-- (2)	29% (1312)	4% (187)	23% (1034)	2% (91)	13% (603)
Home economics education	100% (315)	80% (251)	73% (229)	4% (13)	3% (9)	-- --	14 (44)	2% (6)	4% (13)	8% (25)	6% (20)
Technical Education	100% (3711)	77% (2866)	69% (2556)	5% (170)	3% (122)	-- (18)	15% (569)	6% (230)	3% (129)	6% (210)	<8% (276)
Health Occupations Education	100% (4355)	73% (3184)	63% (2736)	3% (143)	7% (299)	-- (6)	14% (597)	<6% (234)	4% (184)	4% (179)	13% (574)
Trade & Industrial Occupations	100% (12,855)	63% (8,154)	56% (7,310)	3% (379)	4% (543)	-- (22)	11% (1360)	8% (1015)	1% (83)	2% (262)	26% (3341)
Special Needs	100% (92)	24% (22)	23% (21)	1% (1)			59% (54)	25% (23)	12% (11)	22% (20)	17% (16)
Cosmetology	100% (8,645)	74% (6,387)	65% (5,660)	2% (133)	7% (581)	-- (13)	16% (1,418)	5% (416)	3% (235)	8% (767)	10% (840)
Totals Licensed trade schools	100% (43,677)	64% (27,901)	56% (24,268)	4% (1592)	4% (1959)	-- (82)	15% (6644)	6% (2653)	4% (1859)	5% (2132)	21% (9132)

TABLE 3
COMPLETIONS AND PLACEMENTS
BY SCHOOL TYPE

Registered business schools	Total Completers	Total Employed	Empl. Related	Slightly Related	Un-related	Mili-tary	Total Unempl.	Seeking Emplymt.	Add'l. Educ.	Other	Status Unknown
Business & Office education	100% (13,339)	66% (8848)	54% (7211)	7% (973)	5% (640)	-- (24)	22% (2952)	8% (1057)	>3% (472)	11% (1423)	12% (1539)
Marketing & Distribution	100% (119)	91% (108)	61% (72)	9% (11)	20% (24)	1% (1)	3% (4)	1 (1)		>2% (3)	6% (7)
Home economics education	100% (134)	45% (60)	45% (60)	-- --	-- --	-- --	49% (66)	34% (45)	13% (18)	2% (3)	6% (8)
Technical Education	100% (37)	81% (30)	81% (30)	-- --	-- --	-- --	14% (5)	8% (3)	<6% (2)	-- --	5% (2)
Health Occupations Education	100% (693)	63% (434)	<49% (336)	8% (54)	6% (42)	-- (2)	28% (195)	19% (129)	1% (10)	8% (56)	9% (64)
Trade & Industrial Occupations	100% (46)	89% (41)	78% (36)	2% (1)	9% (4)	-- --	>6% (3)	2% (1)	2% (1)	2% (1)	<5% (2)
Special Needs	100% (32)	31% (10)	19% (6)	-- --	13% (4)	-- --	63% (20)	28% (9)	34% (11)	-- --	6% (2)
Totals Registered Business schools	100% (14,400)	66% (9531)	54% (7751)	7% (1039)	5% (714)	>1 (27)	23% (3245)	9% (1245)	4% (514)	10% (1486)	11% (1624)

Of the nine specific fields offered by licensed trade schools, programs in trade and industrial occupations accounted for the largest number of completions (29% of the total). Of those completing such programs, 63% found employment, 11% were unemployed, and 26% were of unknown employment status.

Completers of agriculture/agribusiness programs had the highest placement rates, with 93% finding employment and 88% getting jobs related to their training. Home economics programs had the next highest placement rate (80%, 73% in training-related jobs), followed by technical programs (77%, 63% in training-related jobs).

Forty percent of the completers of business and office programs found employment, followed by special needs programs (24%).

Registered business schools reported that 14,400 students completed programs. Of this number, 66% were placed in jobs: 54% got jobs related to their training, 7% got slightly related jobs, and 5% got unrelated jobs. Twenty-three percent of the business school completers were unemployed, and the status of the remaining 11% was unknown. Thirteen out of fourteen registered business school completers were enrolled in business and office education programs. Two-thirds of these completers were placed in jobs, 22% were unemployed, and the status of 11% was unknown.

Marketing and distribution programs had the highest reported placement rate (91%), followed by trade and industrial programs (89%) and technical programs (81%). Again, as with licensed trade schools, completers of special needs programs had the lowest placement rate (31%).

In judging the success of various programs in placing their

graduates, one should keep in mind the numbers involved. For instance, technical education programs would appear to be highly successful, since 81% of their graduates found field-related jobs. But only 37 students completed these programs in business schools. In contrast, only 54% of those completing business and office education programs got field-related jobs, but this amounts to 7,211 graduates.

Comparable data on public programs was not available to the study.

Accreditation. As Table 4 shows, the majority of the 160 schools surveyed were accredited by a national accrediting body: 66% of the business schools were accredited by the Association of Independent Colleges and Schools, as were 2% of the trade schools and 50% of the combined business-trade schools. Forty percent of the trade schools were accredited by the National Association of Trade and Technical Schools, as were 71% of the business-trade schools. Three-quarters of the cosmetology schools were accredited by the National Accrediting Commission of Cosmetology Arts and Sciences, along with 5% of the trade schools. In addition, 19% of the proprietary schools belonged to some other accreditation group recognized by the U.S. Education Department. Some schools, such as combined business-trade schools, had dual accreditation. Some schools offering very short programs did not have national or regional accreditation.

TABLE 4
ACCREDITATION, BY SCHOOL TYPE

	Business	Trade	Cosmo	Business & Trade	Total
AICS-accredited	66% (19)	2% (1)	0% (0)	50% (7)	17% (27)
NATTS-accredited	7 (2)	40 (25)	4 (2)	71 (10)	24 (39)
NACCAS-accredited	0 (0)	5 (3)	75 (41)	0 (0)	28 (44)
Other accreditation	17 (5)	24 (15)	16 (9)	7 (1)	19 (30)

Ownership. In 1983-84, over two-thirds of the schools included in the survey were owned by corporations, 15% were owned by sole proprietors, and only 9% were owned by partnerships (Table 5).

TABLE 5
SCHOOL OWNERSHIP 1983-84, BY SCHOOL TYPE
(percentages)

	Business	Trade	Cosmo	Business & Trade	Total
Sole proprietor	14%	17%	12%	21%	15%
Partnership	11	5	13	7	9
Corporation	75	67	75	57	70
Nonprofit	0	12	0	14	6
Total					100 (154)

The ownership of New York proprietary schools has been fairly stable (Table 6). Only 17% of the schools had changed owners since 1980, with such changes most common among trade and combined schools and least common among business schools.

TABLE 6
OWNERSHIP CHANGES SINCE 1980, BY SCHOOL TYPE
(percentages)

	Business	Trade	Cosmo	Business & Trade	All Schools
Change in ownership	14	20	15	21	17

Thirty-nine percent of the schools in the study were part of a chain with more than one location (Table 7). Multiple locations were most common among cosmetology schools, whereas single locations were most typical of trade schools.

TABLE 7
SINGLE OR MULTIPLE LOCATION, BY SCHOOL TYPE

	Business N=28	Trade N=60	Cosmo N=54	Business & Trade N=13	All Schools N=155
Single location	61% (17)	72% (43)	46% (25)	54% (7)	59% (92)
Multiple locations	36 (10)	27 (16)	52 (28)	46 (6)	39 (60)
Other	4 (1)	2 (1)	2 (2)	0 (0)	2 (3)
					100 (155)

Financial Aid. New York's proprietary schools participated in a number of federal financial aid programs (especially Pell Grants, Guaranteed Student Loans, and Veterans Administration programs) as well as some state programs (especially Vocational Rehabilitation). It should be noted that only accredited schools can participate in federal student aid programs and that there are additional requirements for participation in Veterans Administration programs and state Vocational Rehabilitation programs. Only students enrolled in a two-year program in registered business schools are eligible for New York's Tuition Assistance Program (TAP).

Table 8 shows the percentage of schools participating in each aid program, the average number of aid recipients at each participating school, and the average size of the school award. Guaranteed Student Loans and Pell Grants--both need-based federal aid programs--accounted for the largest number of students. Relatively few proprietary students participated in the federal campus-based aid programs (Supplemental Educational Opportunity Grants, National Direct Student Loans, and College Work-Study). One reason for their low participation is that other segments of postsecondary education, which entered the campus-based programs earlier, have first claim on the available funds. Proprietary students' access to College Work-Study is limited by two factors. First, program provisions stipulate that aid recipients must work for nonprofit organizations; thus, proprietary students cannot take jobs at the schools which they are attending, a fruitful source of employment for work-study students enrolled in collegiate

institutions. Second, most proprietary students take intensive programs requiring from 25 to 30 class hours per week; thus, they do not have time for outside jobs (Moore & Wilms, 1985).

TABLE 8
FINANCIAL AID, BY SCHOOL TYPE
1983-84

	Business	Trade	Cosmo	Business & Trade	All Schools
	N=28	N=52	N=49	N=13	N=142
PELL grants: % of schools partic.	79%	44%	94%	92%	73%
Average N of students	313	139	152	765	
Avg. school award	$449,665	$134,607	$336,051	$1,709,189	
GSL or FISL: % of schools partic.	79%	46%	93%	92%	73%
Avg. N of students	174	200	145	765	
Avg. school award	$546,383	$448,500	$767,494	$1,460,572	
TAP: % of schools partic.	70%	0%	0%	58%	21%
Average N of students	239	0	0	294	
Avg. school award	$402,672	0	0	$339,335	
SEOG: % of schools partic.	42%	26%	73%	83%	50%
Avg. N of students	18	25	34	43	
Avg. school award	$5,905	$8,955	$11,006	$23,776	
NDSL: % of schools partic.	15%	20%	54%	22%	31%
Average N of students	6	5	12	21	

Avg. school award	$5,879	$7,446	$22,882	$35,667	

TABLE 8 (CONT.)

WORKSTUDY: % of schools partic.	18%	11%	9%	25%	13%
Avg. N of students	4	3	4	7	
Avg. school award	$1,676	$2,180	$1,859	$9,947	
VA BENEFITS: % of schools partic.	45%	49%	32%	60%	44%
Average N of students	11	17	1	12	
Avg. school award	$1,092	$44,957	$3,975	$8,698	
VOCATIONAL REHAB.: % schools partic.	38%	60%	41%	75%	51%
Avg. N of students	6	10	1	23	
Avg. school award	$19,432	$28,642	$4,483	$141,943	
OTHER AWARDS: % of schools partic.	15%	28%	9%	25%	19%
Average N of students	2	6	1	1	
Avg. school award	$6,556	$13,333	$333	$1,250	

Program offerings. New York's proprietary schools offered programs in a wide array of fields. Most popular in the business field were secretarial, accounting, and word processing programs. In the trade/technical area, offerings ranged from computer repair to boat building, with computer programs being by far the most popular. In cosmetology, almost all students were enrolled in state-approved programs leading to licensure.

2. What student populations are served by proprietary schools?

New York's proprietary schools served students from a wide range of educational and economic backgrounds, including a substantial proportion from the most disadvantaged social groups.

Reasons for enrolling. Overall, the majority (58%) of students in the schools surveyed were training for their first jobs, and over one-third sought retraining. Trade schools enrolled the largest proportion (43%) of students who wanted retraining, whereas combined business-trade enrolled the largest proportion (71%) who wanted training for their first job.

TABLE 9
CHIEF REASON FOR ENROLLING,
BY SCHOOL TYPE
(percentages)

	Business	Trade	Cosmo	Business & Trade	Overall
Training for first job	62%	48%	65%	71%	58%
Retraining	33	43	32	25	36
Other	5	9	3	4	6

Schedule. Over two-thirds of the students enrolled at the schools in the study attended classes during the day, and fewer than one-third were enrolled in evening programs (Table 10). Students attending business and combined business-trade schools were much more likely to attend day classes than were trade students, probably because the latter tended to be older students

who worked during the day, whereas the former tended to be younger.

TABLE 10
ENROLLMENT SCHEDULES, BY SCHOOL TYPE
(percentages)

	Business	Trade	Cosmo	Business & Trade	Overall
Attend day classes	78%	64%	66%	72%	67%
Attend evening classes	22	36	34	28	33

Ethnicity. New York's proprietary schools served students from all ethnic groups (Table 11).

The ethnic mix varied substantially from school to school, with some schools having student bodies that were over 90% minority and others having student bodies that were 90% White.

The ethnic composition of a typical school was 58% White, 22% Black, 17% Hispanic, 2% Asian, and 1% "other". Cosmetology schools enrolled a slightly higher proportion of Whites than did other types of schools. Blacks were especially likely to be enrolled in combined business/trade schools, and Hispanics in business and combined schools. The great majority of proprietary students (90%) were U.S. citizens.

TABLE 11
ETHNIC BACKGROUND AND CITIZENSHIP OF STUDENTS,
BY SCHOOL TYPE
(percentages)

	Business	Trade	Cosmo	Business & Trade	Overall
Whites	52%	60%	63%	42%	58%
Blacks	23	23	18	33	22
Hispanics	21	12	18	22	17
Asians/Pacific Islanders	3	3	1	1	2
Other	1	2	<1	1	1
U.S. citizen	86	90	93	85	90

Age. In the typical proprietary school, about one quarter of the students were under 20 years of age, 44% were between the ages of 20 and 24, and 32% were age 25 or over. (Table 12). Cosmetology schools reported enrolling the largest proportion of students under the age of 20, business-trade and cosmetology schools, the largest proportion of 20-to-24-year-olds, and trade schools the largest proportion of students over the age of 25.

TABLE 12
AGE OF STUDENTS, BY SCHOOL TYPE
(percentages)

	Business	Trade	Cosmo	Business & Trade	Overall
Under 20 years of age	28%	18%	29%	22%	24%
Age 20-24	42	44	46	46	44
Age 25 or over	30	38	25	32	32

Public assistance. Proprietary schools served a substantial number of students from the most disadvantaged segments of society. Overall, 32% of the proprietary students at the schools included in the survey had received public assistance prior to enrollment (Table 13). The proportion was substantially higher in business and combined schools, somewhat lower in cosmetology schools, and substantially lower in trade schools. The proportion of students who had received public assistance ranged from a high of 75% in some urban areas to a low of 2% in some suburban schools.

TABLE 13
PERCENTAGE OF STUDENTS RECEIVING PUBLIC ASSISTANCE PRIOR TO ENROLLMENT, BY SCHOOL TYPE

	Business	Trade	Cosmo	Business & Trade	Overall
Received public assistance	44%	18%	38%	44%	32%

Income. Overall, nearly three-fifths of the students attending the proprietary schools in the study were classified as independent for financial aid purposes, indicating that they did not rely on their parents for support (Table 14). Independent students were especially likely to be enrolled in trade schools, consistent with the findings for age.

TABLE 14
DEPENDENCY STATUS OF STUDENTS,
BY SCHOOL TYPE
(percentages)

	Business	Trade	Cosmo	Business & Trade	Overall
Independent	54%	68%	56%	56%	58%
Dependent	46	32	44	44	42

Income data are shown separately for dependent and for independent students, since dependent students were reporting family (i.e., parental) income, whereas independent students were reporting their own or their spouse's income.

As Table 15 shows, 70% of the independent students in the typical proprietary school reported incomes of less than $12,000 a year, and 41% reported incomes of less than $5,000 per year. Seventeen percent of the independent students had incomes between $12,000 and $23,999, and about 15% had incomes of $24,000 or more. Combined business-trade schools enrolled the largest proportion of independent students in the lowest income bracket (under $5,000).

TABLE 15
AVERAGE FAMILY INCOME OF INDEPENDENT AND DEPENDENT STUDENTS, BY SCHOOL TYPE
(percentages)

Independent:	Business	Trade	Cosmo	Business & Trade	Overall
< 5,000	47%	29%	37%	54%	41%
$5,000-$11,999	31	31	35	24	29
$12,000-$23,999	10	26	22	8	17
$24,000-$35,999	11	11	6	10	10
$36,000-$47,999	<1	4	<1	3	2
$48,000-$59,999	<1	1	<1	2	1
>$60,000	<1	1	<1	<1	<1
Dependent:					
< $5,000	18	24	18	37	24
$5,000-$11,999	37	28	35	28	31
$12,000-$23,999	26	27	30	21	26
$24,000-$35,999	14	13	13	10	13
$36,000-$47,999	3	7	3	2	4
$48,000-$59,999	2	1	1	2	2
>$60,000	<1	<1	<1	<1	<1

The pattern for dependent students was somewhat different. Overall, 55% came from families with incomes of less than $12,000, 26% came from families with incomes between $12,000 and $23,999, and 20% reported incomes of $24,000 or more. Again, combined business-trade schools enrolled the largest proportion of lower-income students.

Education. Over a quarter of the students enrolled in the typical proprietary school had not completed high school, 57% had a high school diploma or its equivalent, and the remaining 16% had some education beyond high school. The latter figure includes 4% who had completed a bachelor's degree (Table 16).

Cosmetology students were less likely than others to have completed high school, whereas trade school students were most likely to have had at least some postsecondary experience.

TABLE 16
EDUCATIONAL LEVELS OF STUDENTS, BY SCHOOL TYPE
(percentages)

	Business	Trade	Cosmo	Business & Trade	Overall
Some high school	25%	21%	37%	24%	27%
High school diploma	59	52	57	61	57
Some college	8	15	5	10	9
Vocational certificate or associate degree	5	3	1	3	3
Baccalaureate or higher	3	9	0	2	4

3. What are the schools' admissions practices?

Almost four-fifths of the schools surveyed reported admitting applicants who did not have a high school diploma (Table 17). The proportion ranged from 69% of the trade schools to 100% of the cosmetology schools.

Overall, the schools refused admission to 22% of the applicants who did not have a high school diploma. Cosmetology schools rejected only 3% of these applicants, whereas combined business-trade schools rejected 41%.

TABLE 17
ADMISSIONS POLICY, BY SCHOOL TYPE

	Business	Trade	Cosmo	Business & Trade	Overall
Percentage of schools accepting applicants without high school diploma	70%	69%	100%	75%	78%
Percentage of applicants without high school diploma, refused admission	24	18	3	41	22

The schools in the study used a variety of methods to determine whether applicants lacking a high school diploma had the ability to benefit from instruction (Table 18). The most common methods were personal interviews (used by 55% of the schools), standardized tests (38%), and school-created tests (33%). Only 14% of the schools used a hands-on test.

TABLE 18
CRITERIA USED FOR ADMITTING APPLICANTS
WITHOUT HIGH SCHOOL DIPLOMA, BY SCHOOL TYPE
(percentages)

	Business N=29	Trade N=62	Cosmo N=55	Business & Trade N=14	Overall N=160
Standardized tests	41%	18%	53%	57%	38%
Hands-on tests	3	11	22	14	14
School-created tests	38	26	40	21	33
Personal interview	41	47	71	57	55
Other criteria	3	3	5	7	4

4. With what other types of institutions do proprietary schools compete?

Table 19 shows the proportion of respondents reporting that they were "very competitive" with each of several types of vocational training providers: other proprietary institutions, BOCES (Board of Cooperative Education Services) programs, community colleges, other public programs for adults, community-based nonprofit organizations, certificate programs at four-year colleges, and four-year degree programs.

Most proprietary schools reported competing heavily among themselves. In addition, they indicated that competition came from publicly subsidized institutions--BOCES, adult education, community colleges, and others. Competition from BOCES was felt most acutely by cosmetology schools (51%), followed by trade schools (31%). Community colleges, on the other hand, appeared to compete most directly with business colleges (38%), followed by

business and trade schools (29%).

TABLE 19
CHIEF COMPETITORS, BY SCHOOL TYPE
(percentages)

	Business N=17	Trade N=24	Cosmo N=12	Business & Trade N=15	Overall N=68
Type of competitor					
Other proprietaries	62%	47%	67%	86%	60%
BOCES	19	31	51	15	34
Community colleges	38	18	22	29	24
Other adult education programs	28	20	43	23	28
Community-based organization	17	14	8	36	15
Certificate programs in four-year colleges	7	14	0	29	10
Degree programs in four-year colleges	4	8	3	7	5

Note. Respondents were asked to indicate the types of programs or institutions that were "very competitive". Percentages total more than 100% because they could check more than one type.

5. How responsive are proprietary schools to shifts in the labor market?

To answer this question, we asked school directors to indicate how many programs they had added or dropped during the 1983-84 school year, why they had added or dropped programs, and whether

they had contracted to provide training directly to private employers.

As Table 20 shows, proprietary schools changed their offerings fairly frequently and were more likely to add than drop courses. Business schools were most likely to add courses (an average of two during 1983-84), and cosmetology schools were least likely to do so. Combined business-trade schools were most likely to drop courses, and cosmetology schools least likely to do so.

The relative stability of cosmetology schools' offerings is probably attributable to state licensing requirements which dictate much of the curriculum.

TABLE 20
AVERAGE NUMBER OF PROGRAMS ADDED AND DROPPED, BY SCHOOL TYPE

	Business	Trade	Cosmo	Business & Trade
Programs dropped (total)	1.0	.5	>.1	1.1
Programs added (total)	2.0	.8	>.1	1.8

Tables 21 and 22 suggest that proprietary schools respond to two markets, employer demand and student demand. Overall, two-thirds of the schools added courses at the request of employers, while 62% added courses as a result of student requests. Other factors deemed very important by a sizable proportion of the sample were the recommendation of an advisory board (45%), local

want ads (44%), informal industry contacts (40%), and state labor information (38%).

TABLE 21
REASONS FOR ADDING PROGRAMS,
BY SCHOOL TYPE
(percentages)

Reason	Business	Trade	Cosmo	Business & Trade	Overall
Student requests	70%	42%	84%	64%	62%
Employer requests	56	66	77	57	66
Recommendation of advisory board	43	39	46	64	45
State labor market info	44	36	39	29	38
Informal industry contacts	33	56	25	29	38
Local want ads	63	39	40	36	44
Other school offerings	0	10	3	0	5

Note. Respondents were asked to indicate which reasons were "very important." Percentages total more than 100% because they could check more than one reason.

Similarly, the most common reasons for dropping programs were declining enrollments (i.e., lack of student demand), cited most frequently by business and trade schools, and difficult placements (i.e., lack of employer demand), cited most frequently by combined business-trade schools (Table 22). In addition,

business schools were more likely than other types to drop programs because they were too costly. The recommendation of an advisory board was more important to cosmetology schools than to other school types.

TABLE 22
REASONS FOR DROPPING PROGRAMS,
BY SCHOOL TYPE
(percentages)

Reason:	Business	Trade	Cosmo	Business & Trade	Overall
Declining enrollment	81%	76%	68%	64%	74%
Difficult placement (i.e. lack of employer demand)	70	54	69	93	66
Too costly	62	51	38	57	50
Recommendation of advisory board	26	27	46	36	34

Note. Respondents were asked to indicate which reasons were "very important". Percentages total more than 100% because they could check more than one reason.

A relatively new development in the proprietary sector entails direct contracting arrangements with private employers. As Table 23 shows, a quarter of the schools in the study reported that in the 1983-84 school year they had at least one contract with a private firm either to train new employees or to retrain veteran employees. The nature of these contracts varied tremendously. The companies involved ranged from small beauty shops to major international corporations, such as General Electric, UPS, MCI,

New York Telephone, and People Express. The occupations in which employees were trained included bartending, welding, computer programming, word processing, polygraph training, bookkeeping, and a host of other fields.

Respondents to the survey reported that, because of the declining number of high school graduates in New York, they have aggressively pursued the retraining market by going directly to private employers to learn their training needs and by designing special programs to meet those needs.

TABLE 23
CONTRACT ARRANGEMENTS WITH PRIVATE EMPLOYERS, BY SCHOOL TYPE

	Business N=29	Trade N=61	Cosmo N+52	Business & Trade N=14	Overall N=156
Percentage of schools contracting with private employers to train employees	17%	39%	12%	29%	25%

New York's proprietary schools also work cooperatively with the public sector by participating in Job Training and Partnership Act (JTPA) programs. Twenty-one percent of the schools surveyed had a JTPA program during 1983-84. Combined business-trade schools were most likely, and cosmetology schools least likely, to conduct such programs. The average JTPA program enrolled 37 participants, with a high of 111 in combined schools and a low of 3 in cosmetology schools.

TABLE 24
SCHOOLS CONDUCTING JTPA PROGRAMS,
BY SCHOOL TYPE

	Business N=29	Trade N=62	Cosmo N=54	Business & Trade N=14	Overall N=159
Percentage of schools	28%	26%	7%	36%	21%
Average number of JTPA participants	22	30	3	111	37

6. What impact do New York proprietary schools have on the state economy?

To answer this question, TRC staff reviewed two recent studies of the economic impact of private for-profit vocational schools. This study builds on the work of these researchers. One, sponsored by the Association of Independent Colleges and Schools (AICS), first estimated the institutional revenues, student expenditures, saving to taxpayers, and increased lifetime alumni earnings of AICS-accredited schools and then aggregated these estimates to assess the total economic impact of these schools nationwide (AICS, 1984). The second measured the impact of California's proprietary sector on the state's economy in 1983, looking at three categories of factors: tuition revenues, annual payroll, and the estimated value of plant and equipment (Wilms, 1984). Both of these studies were exploratory and had several methodological limitations. For example, the AICS study used national averages rather than specific expenditures, thereby

introducing potential error into its estimates. The study also added together student and school expenditures, and predicted student earnings, thus counting certain expenditures more than once. The California study estimated the value of the school plant, equipment and curricula rather than measuring actual expenditures.

After reviewing these two studies and consulting with an economist at the University of California, Berkeley, TRC staff designed a methodology for measuring the economic impact of New York's proprietary schools in four areas: job creation within the schools themselves and in the economy, private-sector sales within the state, personal income within the state, and increased student earnings. School directors were asked to report the number of individuals they employed full time and part time during the 1984-85 school year, as well as their total expenditures in eleven different categories (see Table 25).

Economies are interdependent; what is spent in one sector has effects in other sectors. To measure this multiplier effect, economists have developed weights which reflect the varying impacts of different types of expenditures. Total impact on the state economy is assessed here by multiplying the total expenditures in each category by econometric weights for sales, personal income, and jobs. The weights used in this model came from the Department of Water Resources' input-output model for the California economy (DWR, 1980). While these weights were developed for the California economy, they should be applicable to the New York economy.

New York's proprietary schools employed a total of 6,546 full-time workers and 2,352 part-time workers in 1984-85 and created a total of 15,058 jobs in all sectors of the economy. In addition, they generated more than $951.6 million in private sector sales and $341.2 million in personal income both inside and outside the proprietary sector in New York state. These results are discussed below in greater detail.

Impact on employment. School directors were asked to indicate how many people they employed, full time and part time, in three categories of jobs: (1) instructors (all teaching personnel), (2) administrators (administrators, secretaries, financial aid and admissions officers), and (3) "other" (all employees not included in the first two categories).

TABLE 25
FULL-TIME AND PART-TIME EMPLOYMENT
AND AVERAGE YEARLY SALARY,
BY SCHOOL TYPE

	Business N=88	Trade N=149	Cosmo N=74	Business & Trade N=14	Total N=325
Full-time					
Instruction					
Total	1,056	1,192	370	448	3,066
Average	12	8	5	32	9
Avg. salary	$19,192	$18,980	$11,983	$18,933	$18,385
Administration					
Total	950	1,207	355	434	2,946
Average	11	8	5	31	9
Avg. salary	$19,971	$20,522	$16,641	$19,915	$19,690
Other					
Total	88	301	73	72	534
Average	1	2	1	5	2
Avg. salary	$5,350	$9,412	$7,950	$14,083	$11,300
Total employed full-time					6,546
Part-time					
Instruction					
Total	281	1,162	155	200	1,798
Average	3	8	2	14	6
Avg. hourly wage	$13.00	$12.77	$7.01	$13.50	$12.74
Administration					
Total	97	268	30	43	438
Average	1	2	>1	3	1
Avg. hourly wage	$8.17	$9.61	$6.17	$6.56	$7.57
Other					
Total	35	45	30	6	116
Average	<1	<1	<1	<1	<1
Avg. hourly wage	$4.20	$5.75	$5.71	$7.50	$5.79
Total employed part-time					2,352

As Table 25 shows, in 1984-85, New York's proprietary schools employed a total of 6,546 full-time workers: 3,066 instructors, 2,946 administrators, and 534 "others". Trade schools accounted for the largest number of employees in all three categories, followed by business, combined, and cosmetology schools. Proprietary schools also employed 2,352 part-time workers. Trade schools relied more heavily on part-time workers than did other types of schools.

Multiplying the number of full-time-equivalent jobs in the proprietary schools by the weight derived from the DWR model, one can calculate the total number of jobs created both within the schools and in other sectors of the economy. Assuming that all part-time employees worked half-time, the proprietary schools offered a total of 7,722 full-time-equivalent jobs in 1984-85. When this number is multiplied by the weight for educational services (1.95), one arrives at a figure of 15,058 full-time jobs created in the private sector of the New York state economy (Table 26).

TABLE 26
JOBS CREATED IN THE PRIVATE SECTOR OF THE ECONOMY

Total Full-Time-Equivalent Jobs In Schools	Weight	Full-Time-Equivalent Jobs Created In the Private Sector
7,722	1.95	15,058

In summary, New York's proprietary schools employed over 7,700 people in 1984-85, had a total payroll of over $137 million, and created 15,058 jobs in the New York economy.

Impact on private-sector sales. As private companies, proprietary schools are consumers of the goods and services of other firms. Hence, their expenditures create additional economic activity, specifically sales in other parts of the private sector. Table 27 shows the total estimated expenditures and average school expenditures of the 325 schools for which data were available. These data apply to the 1983-84 school year.

TABLE 27
ENROLLMENT AND EXPENDITURES, BY SCHOOL TYPE

	Business N=88	Trade N=149	Cosmo N=74	Business & Trade N=14	Total
Enrollment:					
Total	52,002	69,406	19,051	27,463	167,922
Average	591	466	257	1,962	517
Salaries & benefits:					
Total	$39,276,673	$70,078,187	$12,215,194	$15,989,152	$137,559,207
Average	$446,326	$470,323	$165,070	$1,142,082	$423,259
Rent or mortgage:					
Total	$7,535,434	$12,249,933	$2,476,906	$2,618,871	$24,881,144
Average	$85,630	$82,214	$33,472	$187,062	$76,557
Utilities:					
Total	$3,060,818	$6,532,432	$1,501,610	$1,402,151	$12,497,011
Average	$34,782	$43,842	$20,292	$100,154	$38,452

TABLE 27 (CONT.)

	Business N=88	Trade N=149	Cosmo N=74	Business & Trade N=14	Total
Instructional Equipment:					
Total	$6,721,596	$7,654,253	$1,190,163	$1,799,225	$17,365,237
Average	$76,382	$51,371	$16,083	$128,516	$53,432
Insurance:					
Total	$1,539,158	$2,722,501	$878,035	$488,430	$5,628,123
Average	$72,747	$14,987	$13,628	$48,162	$31,619
Advertising:					
Total	$8,146,026	$11,009,616	$3,081,585	$3,411,430	$25,648,656
Average	$92,568	$73,890	$41,643	$243,674	$78,919
Other supplies:					
Total	$3,140,633	$5,859,821	$3,355,460	$870,575	$13,226,489
Average	$35,689	$39,328	$45,344	$64,184	$40,697
Taxes:					
Total	$7,554,511	$5,110,664	$4,284,424	$1,109,654	$18,059,254
Average	$85,847	$34,300	$57,898	$79,261	$55,567
Leasehold improvements:					
Total	$3,312,415	$2,130,680	$3,415,008	$1,736,823	$10,594,926
Average	$37,641	$14,300	$46,149	$124,059	$32,600
Other expenses:					
Total	$633,106	$1,148,404	$534,251	$85,238	$2,400,999
Average	$38,000	$88,622	$28,925	$26,037	$54,768

Total expenditures were estimated as follows. For those schools completing the study questionnaire, total expenditures in each of the eleven categories were summed by type of school. Then, this figure was divided by the number of students enrolled, to arrive at a per-capita figure. To estimate the expenditures of schools that did not complete the questionnaire, these per-capita figures were multiplied by each school's enrollment, as reported in the OEDS. The estimated and reported expenditures were then aggregated to produce the total estimated expenditures for the entire population of New York proprietary schools.

The total expenditure figure was then multiplied by the appropriate weight from the DWR model to arrive at the total volume of private sector sales generated by proprietary schools. As Table 28 shows, the schools generated $951.6 million in private-sector sales in 1983-84.

TABLE 28
ECONOMIC IMPACT ON SALES

Item	Expenditure	Weight	Total Sales Generated
Salaries	$137,559,207	3.71	$510,344,657
Rent or mortgage	$24,881,144	2.18	$54,240,893
Utilities	$12,497,011	3.38	$42,239,897
Instructional equipment	$17,365,237	4.02	$69,808,252
Insurance	$5,628,123	4.53	$25,495,397
Outside services	$10,276,193	3.70	$38,021,914
Advertising	$25,648,656	4.15	$106,411,922
Other supplies	$13,226,489	3.73	$49,334,803
Taxes	$18,059,926	0	0
Leasehold improvements	$10,594,926	3.87	$41,002,363
Other expenses	$3,332,052	4.40	$14,661,028
Total			$951,591,126

Impact on personal income. A third way to look at the economic impact of proprietary schools is to measure the total amount of personal income they generate within the state. For this calculation, the same total expenditure figures reported in Table 28 were multiplied by a new set of weights. As Table 29 shows, in 1983-84, New York's proprietary schools generated an estimated $341.2 million in personal income. This means that, as

a result of the business activity created by proprietary school expenditures, New Yorkers earned $341.2 million in personal income. For example, when a school buys supplies or equipment, it creates a demand for products and services, which in turn leads to the creation of jobs and personal income.

TABLE 29
ECONOMIC IMPACT ON PERSONAL INCOME

Item	Expenditure	Weight	Total Personal Income Generated in New York State
Salaries	$137,559,207	1.18	$162,319,864
Rent or mortgage	$24,881,144	1.20	$29,857,372
Utilities	$12,497,011	1.30	$16,246,114
Instructional equipment	$17,365,237	1.59	$27,610,726
Insurance	$5,628,123	1.77	$9,961,777
Outside services	$10,276,193	1.71	$17,572,290
Advertising	$25,648,656	1.35	$34,625,685
Other supplies	$13,226,489	1.47	$19,442,938
Taxes	$18,059,926	0	0
Leasehold improvements	$10,594,926	1.63	$17,269,729
Other expenses	$3,332,052	1.89	$6,297,578
Total			$341,204,073

7. What does regulation cost the proprietary sector?

School directors were asked to estimate the cost--in both dollars and person hours--of complying with government regulations in 11 different areas. As Table 30 shows, the schools estimated that, in 1983-84, they spent a total of $27.5 million complying with regulations. Compliance also required 2.7 million person hours or 66,308 person weeks.

TABLE 30
ESTIMATED COST OF REGULATION, BY SCHOOL TYPE

	Business	Trade	Cosmo	Business & Trade	Total
Dollar cost	$16,512,320	$7,280,140	$2,146,370	$1,601,992	$27,540,822
Person hours	1,772,760	583,037	236,208	127,106	2,652,325
Person weeks	44,319	14,575	5,905	3,177	66,308

Overall, the average business school spent $187,640 complying with state regulations, more than any other type of school (Table 31). This may be because registered business schools participate in New York's Tuition Assistance Program and thus are subject to more regulations than are other schools. The typical combined school spent the second largest amount on compliance ($114,428), followed by the typical trade school ($48,860) and the typical cosmetology school ($29,005).

TABLE 31
AVERAGE ESTIMATED COSTS PER SCHOOL IN PERSON HOURS AND DOLLARS, OF COMPLYING WITH SPECIFIC STATE REGULATIONS, BY SCHOOL TYPE

	Business N=88	Trade N=149	Cosmo N=74	Business & Trade N=14	Total N=325
Completing OED forms:					
Hours	101	33	37	110	51
Dollars	$1,087	$1,255	$367	$2,115	$1,044
Getting approval for new courses:					
Hours	1,321	209	50	559	489
Dollars	$10,410	$2,829	$734	$7050	$4,587
Maintaining attendance records:					
Hours	2,711	551	697	2,873	1,269
Dollars	$29,768	$5,518	$4,779	$33,184	$13,108
Complying with satisfactory progress requirements:					
Hours	2,548	554	732	1,780	1,187
Dollars	$20,700	$6,049	$6,052	$20,095	$10,622
Licensing faculty:					
Hours	596	178	127	75	275
Dollars	$6,529	$3,642	$904	$1,175	$3,694
Getting approval for ads:					
Hours	98	104	40	34	85
Dollars	$1,191	$1,434	$466	$909	$1,125

TABLE 31 (CONT.)

	Business N=88	Trade N=149	Cosmo N=74	Business & Trade N=14	Total N=325
Completing state financial aid forms:					
Hours	4,188	663	528	1,272	1,613
Dollars	$34,208	$7,590	$4,786	$15,877	$14,516
Completing school relicensing:					
Hours	587	80	42	55	208
Dollars	$6,193	$2,357	$617	$907	$2,437
Maintaining placement records:					
Hours	985	546	72	2,769	566
Dollars	$9,362	$5,198	$963	$12,733	$5,686
Getting catalog revisions approved:					
Hours	708	78	62	80	245
Dollars	$9,362	$1,574	$703	$1,762	$2,564
Total:					
Hours	20,145	3,913	3,192	9,079	8,161
Dollars	$187,640	$48,860	$29,005	$114,428	$84,741
Person weeks:					
Hours	503	98	800	227	204

In terms of estimated cost of compliance, completing federal financial aid forms ranked first, followed by completing state financial aid forms, maintaining attendance records, and complying with satisfactory progress requirements.

8. To what extent does completion of a proprietary school program affect earnings?

To estimate the impact of attending a proprietary school on earnings, TRC staff looked in depth at a subsample of six proprietary schools: two business schools, two trade schools, and two cosmetology schools. One school in each pair was located in the metropolitan New York City area and the other in the upstate region. Each school was asked to report the preenrollment income and postenrollment earnings of its 50 most recent completers. Preenrollment income was then subtracted from postgraduate earnings, to arrive at the estimated increase. Figures used here for preeenrollment income included all sources, including public assistance. Postgraduate figures are earnings only and do not include income from public assistance or other sources.

As Table 32 shows, trade and cosmetology students averaged considerably higher preenrollment income than business students. The average increase in annual earnings was highest for business school students ($10,950), in part because they had the lowest preenrollment income. The earnings of trade school students increases by $9,014, and those of cosmetology students by $3,002.

To estimate the total increased earnings of all proprietary school graduates, the average annual increase was multiplied by the total number of placements for each type of school (Table 32).* As Table 33 shows, business school completers had total increased earnings of $104.3 million; trade school completers, $193.9 million; and cosmetology school completers, $19.1 million. Overall, the earnings of proprietary school students increased by an estimated $317.5 million in the first year after graduation.

TABLE 32
EARNINGS BEFORE AND AFTER PROGRAM COMPLETION, BY SCHOOL TYPE

	Business	Trade	Cosmo
Average annual income before enrolling*	$1,322	$4,983	$4,636
Average annual earnings after completing program (full-time employment)**	$12,272	$13,977	$7,638
Average increase in earnings	$10,950	$9,014	$3,002

* Preenrollment income includes income other than earnings, such as public assistance.

** State placement data do not indicate whether completers are working full time or part time. Our estimate assumed that all completers who were placed were working full time.

TABLE 33
ESTIMATED TOTAL INCREASED EARNINGS FOR 1983-84,
BY SCHOOL TYPE

	Business	Trade	Cosmo	Total
Number of placements	9,531	21,514	6,385	37,430
Average annual earnings increase	$10,950	$9,014	$3,002	$8,481
Total earnings increase	$104,364,450	$193,927,190	$19,167,770	$317,459,400

Summary of Findings

1. New York's proprietary schools constitute a large and diverse sector of postsecondary education. In the 1983-84 school year, New York's proprietary schools served over 160,000 students. Sixty-eight thousand students completed a rich variety of programs, including computer programming, printing, electronic repair, word processing, steamfitting, and welding.

Schools ranged from single-program operations enrolling fewer than 100 students each year to large technical institutes with a variety of programs and larger student bodies. Two-thirds of the schools were owned by corporations; only 17% had changed ownership since 1980.

Since the majority of the schools in the study were accredited, their students participated in a variety of financial aid programs. Seventy-three percent of the schools participated in the federal Pell Grant program, 73% in the Guaranteed Student Loan program, 50% in Supplemental Educational Opportunity Grants,

31% in National Direct Student Loans, and 13% in College Work-Study. Participation in New York's Tuition Assistance Program is restricted to registered business schools with two-year programs, of which 70% received some TAP funds. Forty-four percent of the schools enrolled students receiving veteran's benefits, and 51% enrolled students receiving Vocational Rehabilitation funds.

2. New York's proprietary vocational schools serve a large population of the least advantaged students in postsecondary education.

While proprietary schools enroll a heterogeneous student body, a large proportion comes from low-income minority families. For example, 41% of the independent students had annual incomes of less than $5,000, while more than half (55%) of the dependent students reported annual family incomes of less than $12,000. Moreover, nearly a third (32%) of New York's proprietary school students reported receiving public assistance before enrolling; this ranged from a low of 2% at some schools to a high of 75% at others. More than four in ten students who enroll in proprietary schools come from minority background: 22% are Black, 17% Hispanic, and 2% Asians or Pacific Islanders. Finally, a quarter of the proprietary school students were high school dropouts.

3. Proprietary schools in New York exist in a highly competitive environment.

While proprietary schools compete directly with each other for students, publicly subsidized institutions appear to

represent the largest source of competition. More than half of the responding cosmetology schools (51%) reported competition from BOCES programs, while more than a third (38%) of the business colleges reported competition from public community colleges.

4. Proprietary schools respond quickly to shifts in employer and student demand. Several findings from this study illustrate the responsiveness of proprietary schools to market demand. First, proprietary schools indicated they were quick to add or drop programs because of changes in local labor markets. Decisions to add programs were based primarily on student requests and employer requests. Second, a quarter of the proprietary schools contracted directly with private employers to develop training programs for new or veteran employees. Finally, schools responded to public demand by participating in federal training programs. One out of five proprietary schools surveyed operated a JTPA program in 1983-84.

5. Proprietary school students lack equal access to important sources of both federal and state financial assistance. A high proportion of proprietary students participate in the federal Pell Grant and Guaranteed Student Loan Programs (73% overall), but far fewer have access to other important sources of student aid which help to close the price gap between proprietary schools and publicly funded institutions. While nearly half of the schools participate in the SEOG program, a closer look

reveals that only a tiny proportion of their students are aided by it. Similarly, fewer than a third of New York's proprietary schools participate in the NDSL program, and only 13% participate in the College Work-Study Program. A very small number of students receive these types of aid. Twenty-one percent of the state's proprietary schools report participating in New York's Tuition Assistance Program, which provides substantial aid to students in two-year programs of at least 1,440 hours at registered business schools but not to those in trade or cosmetology schools.

6. New York's proprietary schools have a major impact on the state's economy. The results from this study reveal that proprietary schools make a substantial impact on the state's economy by creating new jobs, and by increasing private-sector sales and personal income. In 1984-1985, the schools employed more than 7,700 men and women, with payrolls exceeding $137 million. Given the multiplier effect, they created more than 15,000 private-sector jobs. By consuming goods and services of other firms, New York's proprietary schools have generated an estimated $951.6 million in private-sector sales in 1983-84. Finally, given the multiplier effect of the schools' expenditures for salaries, rent, instructional equipment, taxes, and so forth, in 1983-84 New York's proprietary schools generated more than a third of a billion dollars ($341.2 million) in personal income.

7. Students who complete proprietary school programs experience substantial increases in earnings. Another dimension of economic impact is the increase in student earnings. The findings from this study indicate that students who complete their programs and who are placed in jobs can expect their earnings to be substantially higher after training than before. On the average, business school students can expect the greatest increases, followed by trade school students and cosmetology school students. These differences among school types are largely attributable to differences in the proportion of students who were working before they enrolled and to differing wage rates in different fields.

Overall, completers as a group were estimated to have increased their earnings by more than $317.5 million in the year after graduation.

8. State and federal regulations impose significant costs on proprietary schools. Overall, respondents spent an estimated $27.5 million and 3.4 million person-hours in complying with regulations during the 1983-84 school year. The costs to the average proprietary school were $84,741 and 10,475 person-hours. The typical business school spent substantially more than the overall average: $187,640 and 27,932 person-hours.

Recommendations

1. New York's proprietary schools should be more completely integrated into the state's postsecondary education system.

New York's proprietary vocational schools enroll a substantial number of students seeking postsecondary education. According to state-generated figures, 167,922 students enrolled in the 361 licensed schools during the 1983-84 school year. Not only do these schools enroll large numbers of students, but a large proportion of these students come from the lowest rungs of the socioeconomic ladder (i.e., from low-income minority families). Attesting to their disadvantaged status, nearly a third of all proprietary school students report receiving public assistance before enrolling in the schools of their choice. However, despite their backgrounds, most graduates of proprietary schools find employment. Also, as this study shows, most students who complete their programs experience substantial increases in their earnings--a benefit which accrues to both the individual and society as a whole.

There is little doubt that shifts in national and state economies will continue, demanding higher levels of economic productivity. Thus, as resources for training and education continue to shrink and student demand escalates, policymakers must find ways to integrate the proprietary school sector--which is highly sensitive to changing employer and student demands--into the state's overall plans for vocational education, job training, and economic development.

2. The state should make information more available to consumers so that they can choose wisely among competing training and educational institutions.

At present, students cannot make reasoned choices among alternative training providers because of the lack of standardized information on which to base such decisions. Through OEDS, New York goes further than most states in providing consumers with information to guide their choices, but more could be done. For example, the state should collect and disseminate identical data--including completion and placement rates--on all vocational programs, public and private. Currently, the state maintains two data systems: OEDS, which covers proprietary schools and BOCES programs, and the Integrated Postsecondary Education Data System, (IPEDS), which covers community college vocational programs. Steps should be taken to integrate these two systems and to make the resulting information available to consumers. Not only would such a move enable prospective students to make wiser choices, but also the existence of comparative information would give public and private institutions an incentive to improve their productivity in training and placement.

One word of caution is necessary here. While prospective students should have access to critical outcome data (on completion rates, placement rates, and graduates' earnings), it should also be recognized that the outcomes of schooling reflect the background characteristics of the students as well as the quality of the training they receive. Thus, a school that enrolls a relatively large proportion of white, middle-class high

school graduates will probably have higher completion and placement rates than a school that serves a disadvantaged clientele. A recent study of the state of California's proprietary schools (Wilms, Moore, & Bolus, 1986) found that GSL defaulters were overrepresented in community colleges and proprietary schools but that the only significant correlates of defaulting were student characteristics: ethnicity, income, and prior education. The point is that outcome measures, by themselves, tell us little about the quality of a training institution unless one takes into account the characteristics of the students enrolling in that institution.

3. State regulations should be streamlined and applied equally to public and private institutions.

As this study shows, the private costs of state regulation are substantial. As a current NIE study of the impact of state regulations found, many regulations are not as effective as they could be (Wilms, 1986). A few dishonest school owners continue to operate within the state, thereby casting a shadow over the entire industry. Moreover, as discussed earlier, despite the heavy cost of regulation and information disclosure, students still lack reliable information on which to make reasoned decisions among competing institutions, public or proprietary.

Consequently, the state should take steps to streamline the regulatory process and to focus resources on those areas where problems truly exist. In addition, the state should make the

products of such regulation--information on both public and private schools' outcomes--available to the public in ways that account for differences in students' backgrounds.

4. State policymakers should be educated as to the economic impact of the proprietary school sector and should be encouraged to use it as a tool for promoting economic development.

This study makes clear that, as private businesses, proprietary schools contribute substantially to the state's economy by creating jobs, generating private sector sales and personal income, and contributing to the state's tax base. Further, the value of the training offered by these schools can be seen in graduates' increased earnings, which also benefit the state in the form of reduced public assistance payments, greater personal income taxes, and higher workforce productivity.

It is important that key state policymakers recognize the contributions made by this heretofore-overlooked sector of postsecondary education--a sector that could help to solve some of the state's pressing social problems while at the same time improving the state's economy and expanding its tax base.

The proprietary school sector can play an increasingly important role in helping to ease New York's transition from an industry-based economy to a service- and information-based economy by contracting with employers to upgrade their existing workforce.

The human and physical capital invested in proprietary schools should be an attractive inducement for companies to stay in New York or to consider locating in New York. By making these resources available to prospective employers, the state can offer a more comprehensive and attractive package to such firms.

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